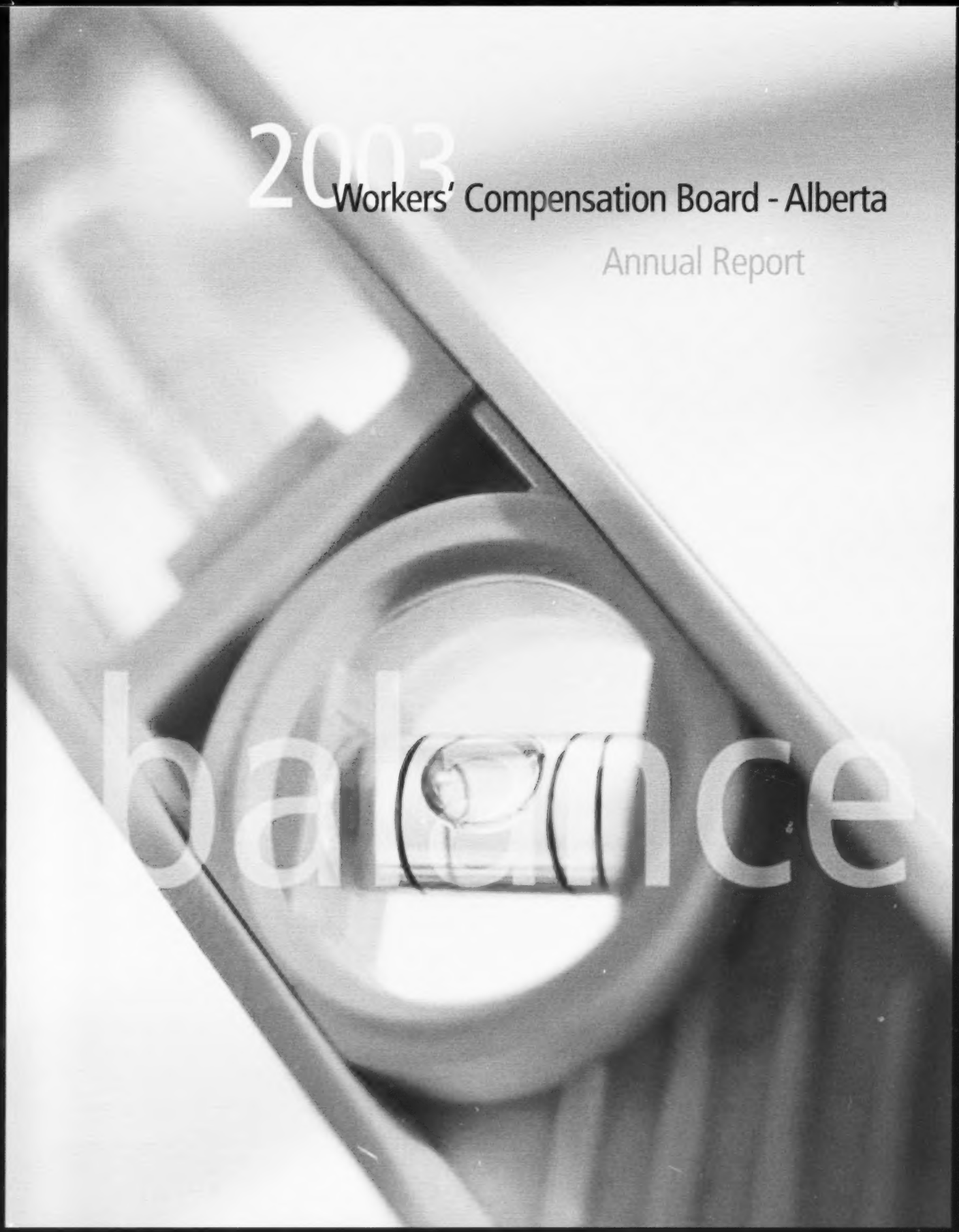
2003 Workers' Compensation Board - Alberta

Annual Report



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Letter from the Minister

ALBERTA
HUMAN RESOURCES AND EMPLOYMENT

Office of the Minister

As the Minister responsible for workplace health and safety and the *Workers' Compensation Act*, I want to commend the WCB-Alberta on the significant changes that make Alberta an even better place to work and do business. Alberta's workers' compensation system has become more open and transparent, which means workers and employers can be more confident about the decisions made on their behalf. Even more importantly, the WCB-Alberta has been a significant partner in an initiative to reduce injuries now and in the future.

Work Safe Alberta is a challenge to workers, employers, safety associations, unions, and government to reduce the lost time claim rate to 2.0 per 100 person years worked – by the end of 2004. If successful, the reduction would mean 15,000 fewer injured workers, 15,000 fewer hospital visits, and a potential $200-million reduction in annual WCB claims costs.

The WCB has been an enthusiastic partner in Work Safe Alberta, and has built partnerships with industry and government to make the initiative even more successful. The WCB's commitment is reflected by the $3.3 million in annual funding that it has provided to Work Safe Alberta to help reduce injury costs by over $26 million.

Making Alberta a safer place to work is everyone's business. The Partnerships in Health and Safety Program is based on the premise that effective health and safety programs are most effective when employers and workers build these programs together. Through ongoing programs with industry groups, safety associations, educational institutes and labour organizations, a framework is in place to promote and certify health and safety program partners.

I challenge you, a WCB stakeholder, to make safety a priority. Host a safety information session, work as a mentor to encourage safe workplace habits and choices, and take a good, hard look at your own personal and work safety habits. At the end of the day, we know that safety comes down to making the right choice, every time. Choose safe not sorry!

Thank you for your continued support of a safe workplace and for embracing Work Safe Alberta.

Cordially,

Clint Dunford
Minister

324 Legislature Building, Edmonton, Alberta, Canada T5K 2B6 Telephone 780/415-4800 Fax 780/422-9556

Our Commitment

We are committed to seeing working Albertans get the support and services they need to recover from a workplace injury or illness and return to work safely.

We are committed to helping Alberta employers create safer workplaces. With strong financial management of WCB funds, and partnerships with employers to reduce injuries, we help bring stability to premium rates and to the workplace.

WCB-Alberta's commitment to fairness means we strive to balance the interests of workers and employers so the workers' compensation system is beneficial to both. We are successful when we make a positive and lasting impact on Alberta's people, workplaces, and economy.

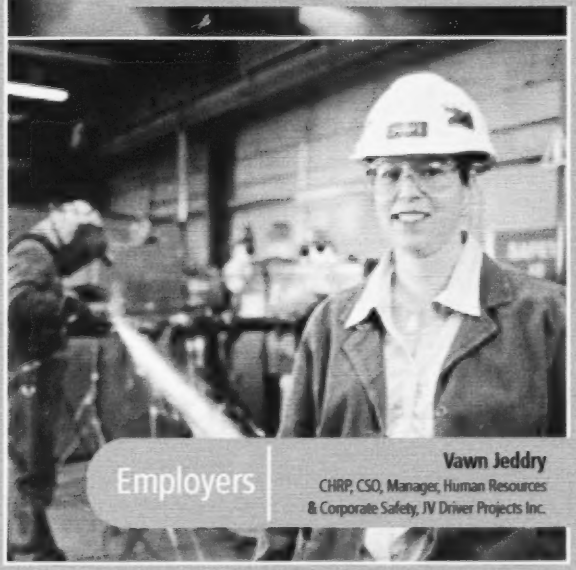
Our Customers

Workers

David Fitzgerald
Control Room Operator, Baymag Inc.

More than 1.4 million working Albertans are eligible to receive compensation if they are injured at work or suffer from an occupational disease. Alberta employers are working to ensure their workplaces are safer, but if an injury does occur, WCB-Alberta provides the benefits and services needed for the best recovery possible. In 2003, 86.8 per cent of the injured Albertans we helped returned to work safely.

"My case manager, Marnie, was amazing. Two weeks after having my back injury assessed, I was booked into surgery to have my disc protrusion repaired. While I was recovering with physio, she had an occupational therapist visit my work site to see what I could and couldn't do safely. Then Marnie and my employer worked together on a return-to-work program that enabled me to remain at Baymag, where I have worked for 20 years."



Employers

Vawn Jeddry
CHRP, CSO, Manager, Human Resources & Corporate Safety, JV Driver Projects Inc.

Through the payment of premiums, 106,000 Alberta employers fund WCB-Alberta's no-fault* compensation system. For their premiums they gain the security of knowing their workers will receive the benefits and services they need to return as healthy, productive employees.

"The ability to report injuries online and receive prompt responses from WCB customer service staff allows the safety teams at JV Driver Projects Inc. to submit claim documents quickly and accurately. The end result? Our workers get the treatment they need without delay and they can safely return to work within a proper time frame."

*A no-fault workers' compensation system means injured workers receive help regardless of fault and cannot sue their employer for benefits, but are paid promptly and with certainty. Both employers and workers benefit from not having to deal with the lengthy and costly proceedings that result from seeking restitution through the law courts.

Message to Stakeholders from the Chair

This is my sixth, and final, message to stakeholders, staff, and government.

As I end my second term as chair of the WCB Board of Directors, I have found the experience to be profoundly enriching. In this role, I have been able to work closely with leaders and organizations in all sectors of society. And, as with many of my roles, the closer I have gotten to the everyday life of an organization, its people and its mission, the more I appreciate all that the organization does and the challenges it faces.

In the context of the past year, WCB's vision is clear – a safe, healthy and strong Alberta. Our focus on leadership enables us to build even better and stronger partnerships for the benefit of Alberta. With this in mind, WCB's strategic themes continued to be the direction for our work:

- Focus on Return to Work
- Commitment to Fairness
- Leveraging Prevention
- Financial Stability

Throughout this report you will see stories that demonstrate the outcomes of that direction, and you'll meet some of the people we help in our day-to-day work. You will also discover that innovation and the drive to help more people are characteristics of WCB. WCB management and staff have worked hard over the past year to meet the goals of the strategic plan.

I would like to share my appreciation for my fellow directors on the Board. Each one has specific skills and rich talents. Together they work to establish the policies and outcomes that emerge from our mission. I would like to welcome new Board member Don Oborowsky of Waiward Steel Fabricators Ltd., representing the interests of employers, and congratulate Gerrie Rajotte on her second term representing the interests of workers. Along with me, two fellow Board members will have completed their second term on the Board of Directors: Gary Cerantola and Barry Munro. Changes and challenges lie ahead for the organization and Board of Directors in 2004, but I am confident that we have the right team in place and a solid foundation on which to build.

Our mission to reduce the impact of workplace illness and injury is real, it is very much alive, and it is prospering. With a dynamic economy, high employment, and WCB stakeholders and government committed to injury reduction, Alberta is the place to be. We are making a difference.

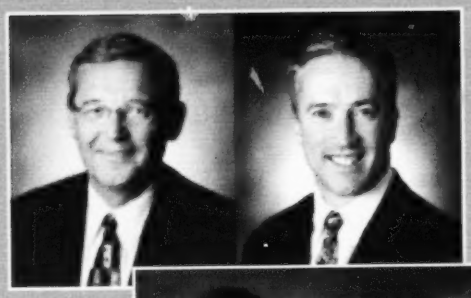
I am very proud to have had the opportunity to play a role in leading a dynamic Board of committed people, focused on ensuring a great workers' compensation system for Albertans.

Best wishes,

Rick LeLacheur

Chair, Board of Directors
Workers' Compensation Board - Alberta

Board of Directors



Rick LeLacheur,
Board Chair

Guy Kerr,
President & CEO

Representing the interests of **employers**

David Carpenter

John Hokanson

Don Oborowsky

Representing the interests of **workers**

Gerrie Rajotte

Mark McCullough

John Malthouse

Representing the interests of the **general public**

Gary Cerantola

Barry T. Munro

Tom Shields

Strategic Management Council

Jim Wheadon

V.P. Business Development and Information Management

"We are improving our service by using new technologies that help us do our jobs better – and help our customers interact with us easily."

Roxy Shulha-McKay

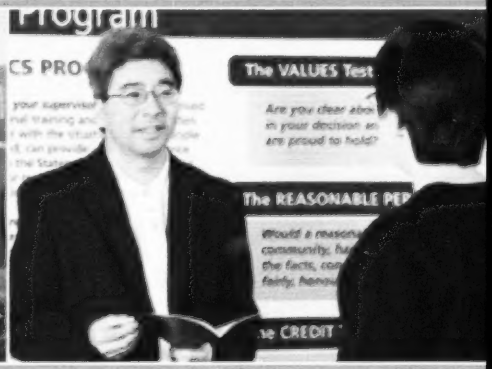
V.P. Employee and Corporate Services

"Our commitment to offering best practice human resource programs and corporate services contributes to the overall wellness of staff and the achievement of individual and corporate objectives."

Dieter Brunsch

V.P. Customer Service and Risk Management onsite with Brian Jolly (right), V.P. and District Manager, at PCL Industrial's modular facility.

"As part of our Customer Connect initiative, workplace visits contribute to stronger relationships by giving us a better understanding of the work environment and challenges faced by the employer and worker."



Wendy King

V.P. Customer Service and Disability Management **"Our innovative disability management plans and return-to-work focused rehabilitation services are working. We deliver the right service at the right time. The result – a safe return to work."**

Randy Garvey

Chief Financial Officer with Michael Stratford (right), Principal, Auditor General of Alberta

"Our new working relationship with the Auditor General provides us with an independent financial review, and a resource to identify opportunities and improvements."

Douglas Mah

Secretary and General Counsel

"It is essential we uphold the integrity of the *Workers' Compensation Act* and WCB Policy – our stakeholders have the right to consistent application and interpretation."

Message from the President & CEO

Guy Kerr

President and CEO with Christina Kairos, case manager, Customer Service **"Our staff make a real difference in reducing the impact and frequency of workplace injuries. Working together is a big part of making the best return-to-work decisions."**

One of the most important things I do in my job is meet with our stakeholders.

On job sites, at meetings, and within WCB's walls, I take pride in representing our policies, procedures and, especially, our people. WCB is a critical member of the Alberta community and it inspires me to see the positive impact we are having.

We constantly look for and adopt new trends in disability management as part of our focus on return to work. We achieved remarkable success this year in getting injured workers back to work safely and quickly, and we did it with an unwavering commitment to fairness. As we search for innovative ways to manage claims, the connection to people cannot be lost.

To maintain that connection to people, we are committed to attracting, hiring, and retaining the best individuals. Our success in increasing our staff-retention rate translates into improved customer service and ultimately helps us get people back to work. In partnership with employers, workers, and other stakeholders, we are actively reducing the length of time injured workers are off the job.

When I visit work sites, I am struck by the effort that employers and workers are making to keep their workplaces safe. Your focus on safety and disability management means 43 per cent of Alberta employers will see lower industry premium rates in 2004. It means we will give $47.3 million in premium rebates to over 4,300 participants in our *Partners in Injury Reduction* program. And it means we can rebuild our fund balance to safeguard our financial future – ensuring we have sufficient funds to pay the future cost of claims.

Still, we face challenges. The Alberta workforce is growing, wages are rising, and health-care costs continue to increase. These factors all drive up the average cost per claim. Balancing that, however, is the fact that the rate of injuries is going down. Our combined efforts are driving the trend in reducing workplace injury and illness.

The work we do together makes a difference in the lives of injured workers. I know WCB has the right balance of people and processes in place to keep Albertans working. We are confident and committed, and if you make safety the number one priority, the future can only get brighter.

Guy R. Kerr

President and CEO
Workers' Compensation Board - Alberta

Strategic Plan

WCB's Vision: Albertans working – a safe, healthy and strong Alberta.

WCB's Mission: WCB-Alberta, working together with our partners, will significantly and measurably reduce the impact of workplace illness and injury on Albertans.

WCB's Strategic Plan

To achieve our vision and mission, we developed a plan in 2002 that defined the key areas on which our business needed to focus. In 2003, we renewed our commitment to that strategic plan and continued to use it as a framework to build success.

The four themes guiding us daily in our work are:

Focus on Return to Work

Everybody wins if an injured worker returns safely and quickly to his or her job. By using effective case management, modified work, training, and other disability management tools, we will reduce the impact of workplace injuries.

Commitment to Fairness

Our stakeholders rely on our commitment to fairness when we make decisions that impact them. We fulfill our commitment through clear decisions, consistent interpretation of policy, openness in business, and by keeping customers informed about the decision-making process.

Leveraging Prevention

The ultimate way to reduce the impact of workplace illness and injury is to prevent them from ever occurring. By rewarding employers for safety performance, we all get closer to our goal of safer workplaces in Alberta.

Financial Stability

Our customers need us to ensure the security of injured worker benefits and provide good value for premiums paid. The cornerstone for meeting these needs, now and in the future, is our financial stability. This is achieved through effective financial and claims management, and clear legislation and policies.

Balanced Scorecard

Setting out to succeed with clear objectives

To concentrate our business activities around supporting the strategic plan, we used a corporate scorecard (highlighted on pages 10 and 11). On this scorecard we mapped goals covering:

1. **Innovations** that help us succeed today and in the future.
2. The **processes** we need to get right.
3. Indicators that show we are providing excellent **customer service**.
4. The **financial** outcomes we require.

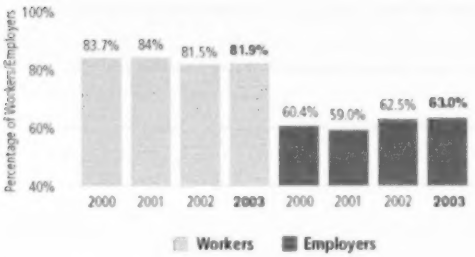
By mapping our goals in this fashion, we committed to focus our attention on the processes and behaviours that will further our four strategic themes.

Commitment to Fairness is the fulcrum

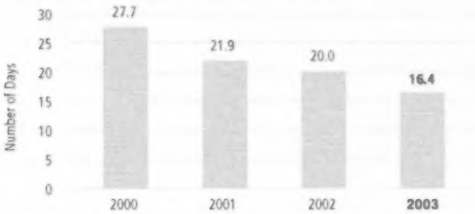
Our scorecard has measurements for Financial Stability, Return to Work, and Leveraging Prevention, but our Commitment to Fairness is the balance for every measurement.

Because of its importance, we monitor our Commitment to Fairness through such things as customer satisfaction, our review processes, and the timeliness of our benefit payment processes.

SATISFACTION WITH FAIRNESS OF DECISIONS



AVERAGE REGISTRATION TO FIRST PAYMENT



The Decision Review Body

WCB's Decision Review Body (DRB) focuses on informal, fast, and effective issue resolution. When a worker or an employer questions a decision on a claim, and they cannot come to an agreement with the case manager and his/her supervisor, the DRB's collaborative problem-solving process often helps.

In 2003:

- New processes were implemented that had a significant impact. In the last quarter of 2003, 92 per cent of DRB reviews were completed in 45 days.
- 73 per cent of completed DRB reviews did not go on to appeal at the Appeals Commission.
- Results indicated the DRB process was successful in resolving issues and providing appropriate decisions. In 2002, the Appeals Commission overturned 41 per cent of the cases it heard – this was reduced to 33 per cent* in 2003.

* Most of the cases the Appeals Commission heard in 2003 were based on Claims Services Review Commitee (old model) decisions from 2002 and early 2003. With the new DRB model being implemented during 2003, we expect the percentage of overturned decisions to continue to lower.

Balanced Scorecard

Highlights

The following table contains key indicators of WCB-Alberta's overall 2003 scorecard performance. These key business goals are supported by each department's own performance measures that contribute to the success of the organization.

Business Challenge	Our Measure
Improved return-to-work outcomes	Return-to-work performance for claims lasting more than 1 year, but shorter than 2 years
	Return-to-work performance for claims lasting 2 to 7 years
Safer workplaces	Time-lost claim frequency per 100 workers
	Partners in Injury Reduction companies covered by a Certificate of Recognition
	Partners in Injury Reduction participants' loss-ratio vs. non-participants
Financial stability	Claims costs
	Average claim duration
	Average cost per time-lost claim
Improved access to health care	Expedited surgeries

Our Target/Forecast	The Result
8% improvement from 2002 baseline	29.5% improvement
5% improvement from 2002 baseline	24.6% improvement
2.90	2.80
10% increase over 2002	16% increase
Maintain a 20% lower loss-ratio for participants	27.2% lower loss-ratio
$887.3 million	$860 million
Decrease from 55.7 days in 2002	49.2 days
$14,900/claim	$14,700/claim
66% increase over 2002 surgeries	123% increase

Focus on Return to Work

Reducing duration

It is a fact: the longer a person is off work after an injury, the less likely he or she will be able to return to work.* In order to improve outcomes, it is imperative to work towards reducing the number of days a person is away from the workplace.

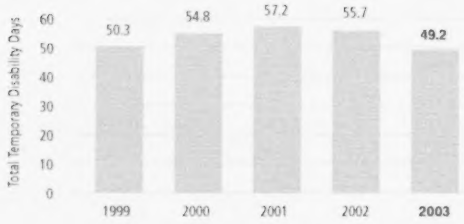
In 2003, we employed a number of tactics to reduce claim duration.

Customer Service teams partnered with each other, employers, and injured workers to find the best case management and return-to-work solutions. Treatment options were reviewed, modified work opportunities were explored, workplace disability management programs were recognized, and new treatment protocols for back claims were evaluated. This work helped injured workers return to the job safely and positively.

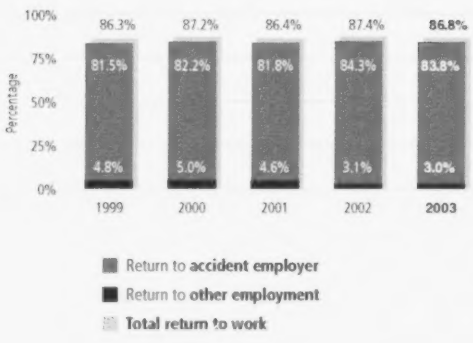
Reducing the number of days a worker is off the job also lowers costs to the compensation system. Last year, every one-day reduction in average claim duration resulted in approximately $12 million in savings.

The Journal of Workers' Compensation reports that if an injured employee is off the job for more than 12 weeks, his or her chance of ever returning to work is cut in half. After one year, statistics show that figure drops to almost zero.

AVERAGE CLAIM DURATION



RETURN-TO-WORK PERCENTAGES



Harry Weistra

Back on the job

"Being proactive and talking with my case manager and employer has paid off!"

I was working as a shop foreman at Autoworld in Leduc, helping a co-worker move a transmission. Suddenly, my back felt like someone shoved knitting needles into it! It was so painful I fell to the floor. After going to emergency and being prescribed painkillers, I was still in severe pain. The next day when I saw my family doctor, I learned I'd damaged four vertebrae.

My doctor referred me to a back surgeon, but I had to get an MRI first. Fortunately, I had to wait only three weeks because WCB expedited it to get me in for surgery sooner. A co-worker also helped speed things up by bringing a *Worker's Report of Injury* to my home and getting the claim process started at Autoworld.

I can't say enough good things about my WCB case manager. While I recovered from surgery, Angela made arrangements to maintain my home when I couldn't do it myself. She even ensured I was reimbursed for mileage, driving to doctors' appointments and rehab, because I live out of town.

I was fortunate to have a supportive employer, who paid my full wage while I attended rehab (WCB reimbursed my employer) and made it clear they wanted me back. They modified my job so I could continue as foreman – I don't do the heavy lifting and pushing I used to, but I expect my condition to improve with time and exercise. Being proactive and talking with my case manager and employer has paid off!

Harry Weistra
Foreman, Autoworld

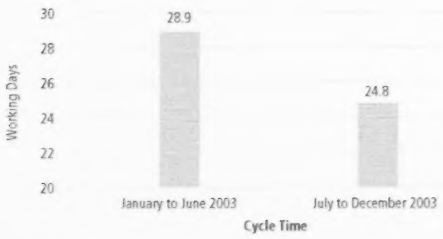
Focus on Return to Work

2003 marks big changes in occupational rehabilitation program

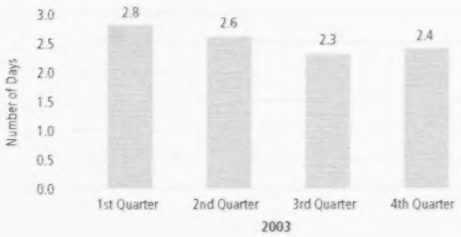
In January, a joint WCB/service-provider working group was formed to take a hard look at work assessment centres and the occupational rehabilitation programs. The result: a name change to *Return to Work Services* (RTWS) and a realignment of services to promote greater efficiencies.

A new RTWS contract was implemented on July 1, 2003, and cycle times improved almost immediately. The average time workers spent in RTWS programs dropped by 14 per cent and the timing around referrals to programs also declined.

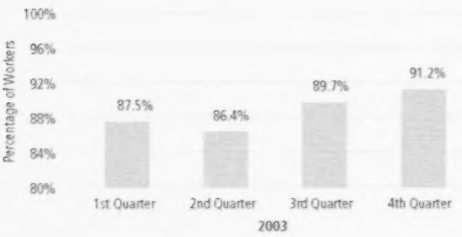
LENGTH OF STAY – RETURN-TO-WORK SERVICES



REFERRAL TO ADMISSION TO RETURN-TO-WORK SERVICES



PERCENTAGE OF WORKERS ABLE TO WORK AT 30 DAYS POST-DISCHARGE FROM A RETURN-TO-WORK PROGRAM



Focus on Return to Work

Improving access to health care

In 2003, the team in Health Care Services set out to improve access to specialist consultations and surgery by 66 per cent. The goal was surpassed by more than double, with over 1,100 expedited surgical procedures being performed for injured workers in 2003.

Prior to this initiative, it was not uncommon for injured workers to wait over six months for surgery. Today, most are done within 30 days! Injured workers benefit by getting back to work faster and enduring less pain while waiting for surgery. Employers get workers back to the workplace, where they can be productive.

This key initiative was very much a team effort. While Health Care Services led the way, they had the help of case managers who made timely referrals, Medical Aid clerks who quickly processed invoices, and contracted providers who opened up more clinics and reopened surgical suites that were previously closed.

Visiting Specialist Clinics (VSC): Making a difference

WCB holds contracts with five VSCs and five surgical facilities located throughout Alberta. Surgeons schedule time at the VSC to consult with injured workers and then arrange to do the surgery, if necessary. (Before surgeons can commit time to WCB's expedited surgery program they must exhaust all their available surgery time for the public sector.) Most surgeries are completed within three weeks of the consultation.

In 2003, 1162 expedited surgeries took place through our contracted surgical facilities.

Case managers, with help from WCB surgical coordinator **Leslie Klapproth,** have helped hundreds of clients to get the surgery they need, quickly.

When an injured worker is treated and back on the job as soon as they're able, everybody wins!

That's why WCB has contracts with 18,000 health-care providers across Alberta – from surgeons to general practitioners, to physiotherapists and chiropractors. Access has never been better.

WCB's expedited surgical initiative made great strides in 2003. More than 1,100 surgeries were expedited, which helped an unprecedented number of injured Albertans return to work. As WCB's surgical coordinator, Leslie Klapproth has been instrumental in helping case managers arrange consultations and surgeries for their clients.

"As a former case manager, Leslie understands our needs," says long-time case manager Gladys Hough. "My workers appreciate getting (their surgery) over and done with."

Hough has taken advantage of WCB's Visiting Specialist Clinics (VSCs) on several occasions. "It's the smaller surgeries that are making the biggest difference. One worker needed a hernia operation and we were able to get him in to see a specialist through our VSC right away. Within two weeks he had the surgery and was back at work a short time after that."

Focus on Return to Work

Backs benefit from new ideas

Low-back pain is responsible for approximately 25 per cent of WCB time-lost claims. By tapping into a new understanding of how to effectively treat back injuries, we have been able to improve return-to-work outcomes for this important group.

A public campaign in Australia recently carried the message that activity and positive thinking about back pain are keys to a successful recovery. The campaign resulted in a significant reduction in back-pain claims and back-pain duration. To learn how we could use these findings to achieve the best outcomes for workers – and improve the cost-effectiveness of the system as a whole – we began a Back Injury Pilot in 2003.

The pilot optimizes medical involvement and emphasizes one-on-one examination – a model developed in 2002 based, in part, on previous improvements made to the management of fracture claims at the WCB. The goal was to make the most efficient use of our clinical resources by quickly identifying workers who could benefit most from an expert assessment of their back injury.

The orthopedic specialist selected to provide assessments for the pilot was Dr. Lyle Davis. He has found that although claimants genuinely experienced back pain, there was usually no serious underlying problem to prevent them from resuming their normal activities – an assessment that supports the Australian findings.

"The opportunity to see workers soon after their injuries greatly increases our chances of a quicker recovery," says Dr. Davis. "Using this type of approach is resulting in better outcomes."

Early results are promising. Following their assessments, most claimants have been able to make an early return to activity, including a sustained return to work, which benefits the worker and the employer. These exams have also led to the early identification of a small number of serious conditions such as multiple sclerosis and spinal fractures. And, in another small fraction of cases where the assessment has indicated that the claimant could benefit from surgery, the WCB has helped to expedite a consultation with a surgeon.

WCB-Alberta's Back Injury Pilot will continue into 2004. The success of the pilot will determine how this new approach will be integrated into WCB's management of future back injuries.

Following their assessments, most claimants have been able to make an early return to activity, including a sustained return to work, which benefits the worker and the employer.

Focus on Return-to-Work

Millard Health

Helping hard-working Albertans overcome their injuries

In 2003, WCB's world-class rehabilitation centre, Millard Health, helped nearly 8,000 hard-working Albertans overcome their injuries and return to work.

Millard Health also led the province in a number of key performance measures, including:

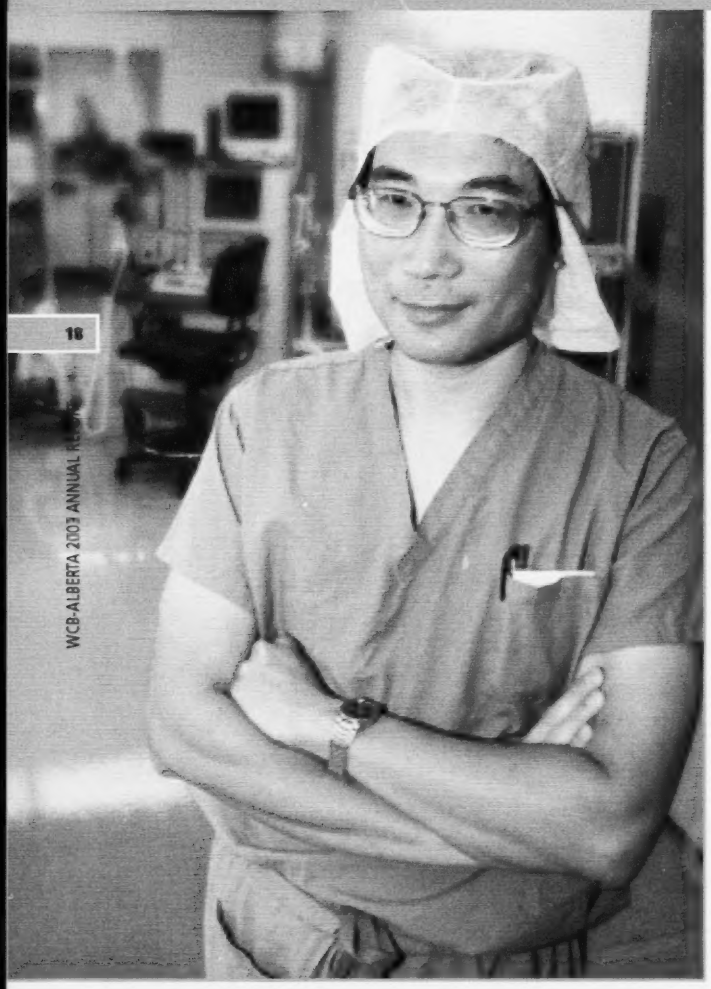
- **Best "fit-for-work" rate in Alberta:** More than 98 per cent of clients are fit for work following rehabilitation services at Millard.
- **Quick response time:** Millard takes the shortest amount of time to get an injured worker into a program, averaging almost a day less than the next-quickest provider.
- **Fast turnaround on discharge reports:** When a client is discharged, Millard completes a discharge report faster than any of Alberta's other providers.

- **Hard-working clients:** Millard has the highest percentage of claims resolved at 30 days following discharge from a program. That means people are generally back at work to stay at the conclusion of their program.
- **Number one in vocational rehabilitation:** Millard has the highest supported-job-search placement rate in the province. Workers who need help finding physically suitable employment have the best chance of securing a job as a result of Millard's services.

"My goal was to get better, my team did what was necessary to get me back to work and as a result I am now better than I was before my accident. A job well done."

– from a Millard Health anonymous client survey

Improving Outcomes



Edmonton-based anesthesiologist Dr. John Soong wouldn't dream of going back to the "old way" of faxing his invoices and reports. "I'm getting paid within two weeks now," he says.

Electronic injury reporting and invoicing

The word is out

Over 1,400 new users logged on to our new injury reporting and invoicing system in 2003. Through this exciting new service, employers and health-care providers can now submit reports online.

2003 Quick Facts:

15,777 electronic injury reports and invoices processed

5,591 new online claims created faster than ever before

Online service expands

In mid-2003 the WCB launched a new online service for employers for Loss Control Reporting (LCR). The new service allows employers with a WCB account to get claims data quickly and easily. Approximately 2,600 users (representing 4,000 accounts) generated more than 30,000 reports in the second half of 2003. Employers simply register as a user and log on to generate the reports they need, when they need them. Originally launched with six standard employer and industry reports, LCR will expand to 11 reports in 2004.

Program focuses on enhanced outcomes, not penalties

Late reporting is an unnecessary delay to the system and something we can collectively do something about. Through the online policy-consultation tool and work site visits, stakeholders provided WCB with the feedback necessary to refine the administrative penalties process. The new process focuses on education to change behaviour and reporting outcomes, with penalties being the last resort and targeted to impact the employers with the greatest occurrence of late reporting.

In 2003, the WCB worked collaboratively with the 100 Alberta employers who had the greatest opportunity to improve their reporting performance. These employers achieved a 25 per cent improvement in reporting cycle time in 2003 with no penalties being levied. Continued efforts with some of the late adopters in this group will occur in 2004 along with selection of the next group of selected employers.

Our **eBusiness support team** helped hundreds of customers connect to our online services in 2003.

helping customers

Leveraging Prevention

Partners in Injury Reduction

– Safety Pays for Alberta Companies

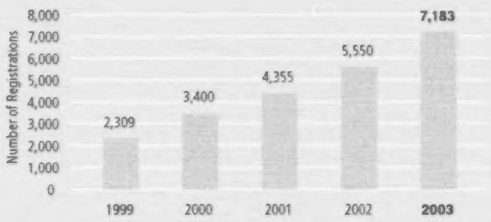
Over 4,300 Alberta companies have earned $47.3 million in premium rebates in 2004, by investing in safety during the 2003 *Partners in Injury Reduction* (PIR) program.

"Our results for last year are the best on record," says Guy Kerr, President and CEO, WCB-Alberta. "More than ever, employers and workers are making a real difference in reducing the impact and frequency of workplace injuries. If the frequency of injuries continues to decrease, everyone will benefit."

Not only are PIR companies receiving rebates for safe workplaces, time-lost claim rates for PIR participants in 2003 were 13.5 per cent lower than the overall time-lost claim rate for non-PIR companies. PIR participants also had first-year claims costs that, per $100 in premiums, were 27 per cent lower than non-PIR participants.

PIR is a voluntary program that offers employers industry-premium-rate discounts for implementing effective health, safety, and disability management programs. PIR operates through the combined efforts of WCB, Alberta Human Resources and Employment-Workplace Health and Safety, certifying partners, safety associations, employers, and labour groups.

PIR REGISTRATIONS



"More than ever, employers and workers are making a real difference in reducing the impact and frequency of workplace injuries."

Working towards a workplace safety culture

Chiara Fritzler, Safety Coordinator, and **Brian McLane**, Vice President, Manufacturing, onsite at Universal Compression Canada Ltd.

Everyone benefits from workplace safety

Universal Compression Canada started working towards a workplace safety culture in 1995, focusing at every level of our organization to obtain injury-free days, weeks, and months.

We became involved with the *Partners in Injury Reduction* (PIR) program because it's good for our industry. At the time, our safety situation wasn't very good. We set out to reduce the number of time-lost claims and lower our premiums; PIR helped us to accomplish this undertaking.

A company doctor began assessing each injured employee to determine whether or not they could return to work on "productive" light duties or sedentary work. This made a big difference in terms of time-lost days, productivity, and an earlier return to regular duties.

Universal also implemented an orientation program for all new employees, ongoing training for repetitive work injuries, a bonus program related to "no time-lost" accidents, and a peer program where employees nominate each other for awards based on safety improvements in their work areas.

Our efforts have made a difference – our premium rates have dropped and we now receive PIR rebates. Because of PIR, and our efforts, we reduced time-lost injuries by almost 90 per cent.

I would strongly recommend PIR to other companies. Our workers, supervisors, and managers have developed positive attitudes towards safety, plus everyone benefits – employees recover sooner and return to their regular duties, the company sees a reduction in lost productivity and lost income, and the industry enjoys lower WCB premiums.

Gene Begus
Safety Manager (retired)
Universal Compression Canada Ltd.

Leveraging Prevention

Clint Dunford, Minister of Alberta Human Resources and Employment, **Ryan Dansereau** from Waiward Steel Fabricators Ltd., and **Guy Kerr**, WCB-Alberta President and CEO at the 2003 Heads Up launch.

'Rookies at Risk'

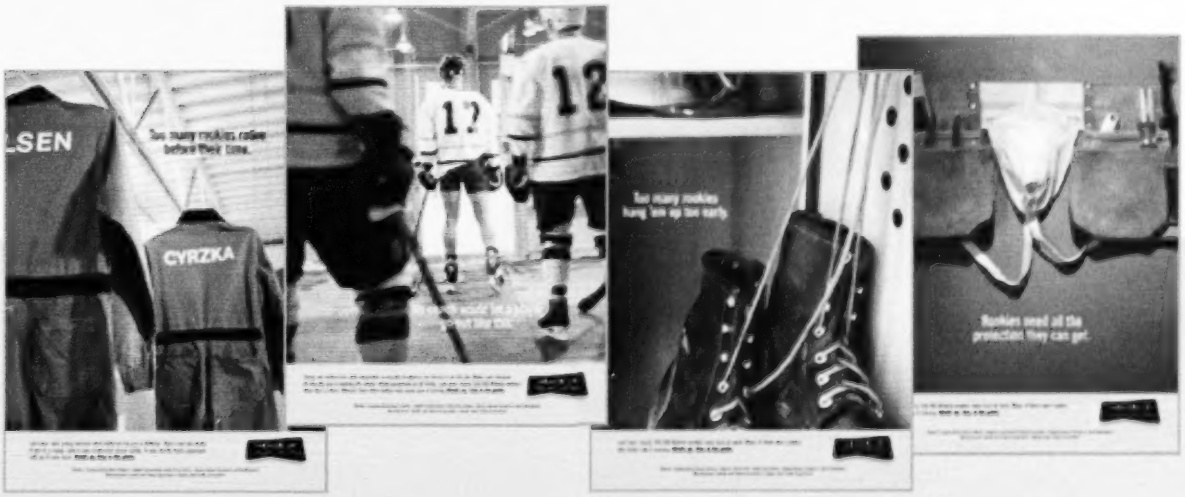
Heads Up safety theme targets inexperience on the job – a key factor in workplace injury

The *Heads Up* safety campaign continued its edgy tradition with a 'Rookies at Risk' theme in 2003. "Almost 52,000 Alberta 'rookies' were injured on the job in 2003. Rookies are not just young workers, they are anyone new on the job," states President and CEO, Guy Kerr."

The time has come to change the way we think about workplace safety," says Clint Dunford, Minister of Alberta Human Resources and Employment. "Through the Heads Up campaign and the *Work Safe Alberta* initiative, we are working with our partners to keep workers safe, on and off the job."

Lending his voice to the campaign was former NHL player Bill Ranford. "I'm very proud to be part of this campaign. Safety is about knowing the rules and wearing the gear. I played 15 years in the NHL, but wouldn't have lasted 15 seconds if I wasn't wearing the right equipment," says Ranford. "Remember, rookies are at risk – on the ice and in the workplace."

A natural connection between hockey injuries and work-related injuries was reflected in radio commercials; posters in bars, restaurants, and work sites; and newspaper and employer magazine advertising. "By hooking up with hockey, the campaign reaches our audience effectively," says Gary Wagar, Executive Director, Alberta Construction Safety Association.



WorkSafe™ 2003

The diverse safety initiatives exhibited by the winners of the 2003 WorkSafe™ Business Award of Distinction reinforce what more and more Alberta employers already know: work site safety is good business. WCB-Alberta proudly sponsors the WorkSafe™ Award each year to honour one small and one large business that demonstrate a substantial commitment to safety.

Edmonton's **PCL Industrial Constructors Inc.** is one of Canada's largest and most diversified heavy industrial contractors. Rapid industry growth in the late 1990s challenged it to find new ways to implement safety programs. In addition to reducing injury and illness costs – a proactive stretching program decreased sprain and strain incidents by 82 per cent – the company focused on the needs of its 800 employees. Employees strive to be the best and safest in the business, and managers are visibly committed and accountable.

Sensor Environmental Services Ltd. operated the Swan Hills Treatment Centre, Canada's only fully integrated hazardous waste disposal and treatment facility, until April 2003. Their safety success was built on the philosophy that every one of its 90 employees was accountable for safety, and that all accidents were preventable, not inevitable. After a history of time-lost injuries (67 days were lost in 1998), Sensor experienced two full years of zero time-lost days in 2001 and 2002.

WCB-Alberta proudly sponsors the WorkSafe™ Award each year to honour one small and one large business that demonstrate a substantial commitment to safety.

Financial Stability

Achieving and maintaining Financial Stability

Financial Stability is achieved through premium rates that reflect the real costs of the compensation system. This was the first year that rates were not subsidized by financial gains; instead they reflected the full cost of workplace injuries.

Due to the rising costs of those workplace injuries in 2002, the average 2003 premium rate was forecasted to increase to $1.89. However, increased activity in higher risk industries and improved workforce numbers resulted in an average collected rate of $1.94 per $100 of insurable earnings.

Managing claim costs

Every day, we work with employers and workers to reduce the effects of rising benefit and service expenses. The key factors we identified as the ones we can affect include:

- Claims costs
- Claim duration
- Average cost per claim

CLAIMS COSTS

AVERAGE CLAIM DURATION

AVERAGE FULL-FUNDED COST PER TIME-LOST CLAIM

Financial Stability is also achieved by performing accurate cost forecasts. We set and met a goal of maintaining transaction-year claims costs within 10 per cent of our 2003 budget.

- Budget = $605.9 million
- Actual = $600.1 million

Although rising claims costs have presented a challenge to Financial Stability, the framework of WCB's strategic plan provided us with the means to reach our goals. Our Focus on Return to Work delivered tools and services to help us manage claims effectively. And, our focus on Leveraging Prevention helped make workplaces safer and prevent injuries from even occurring. The result was a decrease in claims costs and a sound compensation system for Albertans.

Summary of claims administered

	2003		2002	
Active claims as of January 1		26,339		29,263
New time-lost claims	38,351		39,561	
New medical aid only claims	114,747		114,913	
Total new claims reported	153,098		154,474	
Recurrent claims[1]	43,960		33,388	
	197,058	197,058	187,862	187,862
Total claims administered		223,397		217,125

Non-eligible claims

Time-lost claims		
Insufficient information available to process claim	86	87
Not covered under *Workers' Compensation Act*	170	149
Injury or illness not arising out of/in the course of employment	1,104	858
Medical aid only claims		
Insufficient information available to process claim	2,999	2,390
Not covered under *Workers' Compensation Act*	1,377	867
Injury or illness not arising out of/in the course of employment	2,595	2,083

[1] Previously inactive claims that required further adjudication or case management. Claims may reopen for a number of reasons such as payments for medical aid or requests for further compensation benefits.

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Management Commentary on the Financial Statements for 2003

Results of Operations

The overall result is an operating surplus of $153.7 million[1] brought about primarily by higher than expected premium and investment revenue and lower than expected claim costs.

The Occupational Disease Reserve increased by $9.9 million consistent with the Funding Policy. The Fund Balance at December 31, 2003, is $311.0 million.

The average actual premium rate collected was above the average premium rate required to meet the cost of current year injuries.[2] The difference between the collected and required premium rate represents either a contribution to, or withdrawal from, the Fund Balance.

Investment Activities

Investments held to meet future benefit obligations for past injuries increased to $4,088.4 million, an increase of 7.4%. The capital market in 2003 was quite strong resulting in a market return of positive 13.8% for 2003 compared to negative 2.5% for the previous year.

Claim Benefit Liabilities

Estimated claim benefit liabilities of the corporation increased to $3,725.5 million, an increase of 5.9%. Note 9 to the financial statements provides a reconciliation of the changes to the claim benefit liabilities. There were no material changes in 2003 to the actuarial assumptions or methodology other than as identified in the Actuarial Certificate and Note 9.

[1]The operating surplus of $153.7 million can be attributed to the following:

Net investment revenue loss over liability requirements and investment revenue on the Fund Balance and reserves	$	(14.2 million)
Gain in premium revenue as a result of actual premium rate ($1.94) being higher than the required premium rate ($1.63) on $44.0 billion in insurable earnings		134.0 million
Actuarial adjustments		15.3 million
Other items		18.6 million
Total	$	153.7 million

[2]Average actual compared to average required premium rates
Per $100 Insurable Earnings

Year	Average Actual Premium Rate	Average Rate Required for Full Funding	Difference
2003	**1.94**	**1.63**	**0.31**
2002	1.64	1.69	(0.05)
2001	1.29	1.73	(0.44)
2000	1.12	1.74	(0.62)
1999	1.06	1.64	(0.58)
Average	1.41	1.69	(0.28)

Responsibility for Financial Reporting

The financial statements of the Workers' Compensation Board were prepared by management, which is responsible for the integrity and fairness of the data presented, including significant accounting judgements and estimates. This responsibility includes selecting appropriate accounting principles consistent with generally accepted accounting principles in Canada.

In discharging its responsibility for the integrity and fairness of the financial statements, management maintains the necessary internal controls designed to provide reasonable assurance that relevant and reliable financial information is produced and that assets are properly safeguarded.

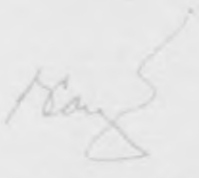
The WCB's actuarial staff performs an annual actuarial valuation of the claim benefit liabilities included in the financial statements of the WCB.

The Board of Directors is responsible for overseeing management in the performance of financial reporting responsibilities and has approved the financial statements included in the Annual Report.

The Board of Directors is assisted in its responsibilities by its Audit Committee. This committee reviews and recommends approval of the financial statements; and meets periodically with management, external auditors, and actuaries concerning internal controls and all other matters relating to financial reporting.

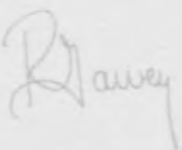
Eckler Partners Ltd. has been appointed as the independent peer review actuary to the WCB. Their role is to complete an independent review of the annual actuarial valuation of the claim benefit liabilities included in the financial statements of the WCB and to report thereon in accordance with generally accepted actuarial principles.

The Office of the Auditor General, the independent auditor of the WCB, has performed an audit of the financial statements of the WCB in accordance with Canadian generally accepted auditing standards. The Auditor's Report outlines the scope of this independent audit and the opinion expressed.



David B. Carpenter, FCA
Chair
Board of Directors

Guy R. Kerr
President and
Chief Executive Officer



Randell W. Garvey
Chief Financial Officer

Auditor's Report to the Board of Directors of the Workers' Compensation Board - Alberta

I have audited the balance sheet of the Workers' Compensation Board - Alberta as at December 31, 2003, and the statement of operations, statements of reserve and fund balance, and statement of cash flows for the year then ended. These financial statements are the responsibility of the Board's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Board as at December 31, 2003, and the results of its operations, movements in reserve and fund balance, and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Fred J. Dunn

FCA

Auditor General
Edmonton, Alberta
March 19, 2004

To the Board of Directors of the Workers' Compensation Board - Alberta

We have completed an actuarial valuation of the benefit liabilities under the Workers' Compensation Act of Alberta as at December 31, 2003, for the financial statements of the Workers' Compensation Board.

Our estimate of the benefit liabilities of $3,725.5 million represents the actuarial present value at December 31, 2003, of all expected short-term disability benefits, long-term disability benefits, survivor benefits, health care payments, rehabilitation payments and claims administration expenses related to claims which occurred on or before December 31, 2003. This estimate is based on the legislation, policies and administrative practices in effect at December 31, 2003. The benefit liabilities do not include a provision for future claims arising from latent occupational disease or for benefits and payments that are on a self-insured basis.

The economic assumptions underlying the calculations made in this report are a 3.50% per annum real rate of return on invested assets and an annual change in Consumer Price Index of 3.38%. Benefits that are increased in accordance with the Cost of Living Adjustment policy are assumed to increase at a rate of 2.88% (3.38% minus 0.50%) and are therefore valued using a net discount rate of 4.00% per annum. Health Care and Rehabilitation benefits are assumed to grow at annual rates of 6.47% and 4.39% respectively and are valued using net discount rates of 0.50% and 2.50% respectively.

Pharmaceutical costs are assumed to grow at a rate of 9.14% per annum over a select period of five years following the valuation date. Self Managed Personal Care Allowances are assumed to grow at a rate of 2.88% per annum over a select period of six years following the valuation date. Each of these latter categories revert to the long-term Health Care growth rate of 6.47% following the select period.

These assumptions are unchanged from those used in the actuarial valuation prepared as at December 31, 2002, with the exception of Pharmaceuticals, which were assumed to grow at a rate of 6.47% in the prior valuation.

Liabilities in respect of permanent disability and survivor benefits are based on factors developed from historical patterns of awards and mortality rates. Liabilities in respect of Economic Loss Payments are based on a combination of the Alberta Workers' Compensation Board's own experience and the experience of another Canadian Workers' Compensation Board that has been providing similar benefits for a longer period of time.

Liabilities in respect of all other benefits are based on a continuation of recent payment patterns by year since accident.

I have reviewed the valuation data for reasonableness and consistency with data used in prior years and with data used in the financial statements.

In my opinion the data is sufficient and reliable and the actuarial assumptions are appropriate for the purpose of the valuation and the methods employed are consistent with accepted actuarial practice. This valuation report has been prepared and my opinion has been given in accordance with accepted actuarial practice.

Michael Williams, F.S.A., F.C.I.A.
Chief Actuary
Workers' Compensation Board - Alberta
March 19, 2004

Consulting Actuaries' Report on the Valuation of the Benefit Liabilities of the Workers' Compensation Board - Alberta as at December 31, 2003

We have reviewed the actuarial valuation of the benefit liabilities of the Workers' Compensation Board - Alberta (WCB) as at December 31, 2003, with respect to future payments for short-term disability, long-term disability, survivor benefits, health care, rehabilitation and claim administration costs on account of claims that occurred on or before that date.

The Actuarial Services staff of the WCB is responsible for this valuation and the Chief Actuary has provided his opinion that the data is sufficient and reliable for the purpose of the valuation, the actuarial assumptions are appropriate for the purpose of the valuation and the methods employed are consistent with accepted actuarial practice, and that his valuation report has been prepared and his opinion has been given in accordance with accepted actuarial practice.

The valuation was based on the provisions of the Workers' Compensation Act of Alberta and on the WCB's policies and administrative practices in effect as of December 31, 2003. We have examined the appropriateness of the data and the procedures used to verify its integrity, the assumptions and methods selected for the valuation, as well as their application for the calculation of the benefit liabilities.

Except for the valuation of Pharmaceuticals where the estimated future growth rate has been increased, the methods and assumptions employed in the valuation were consistent with those used in the previous valuation, after taking account of changes in claim patterns.

The estimate of the benefit liabilities of $3,725.5 million represents the actuarial present value of future payments with respect to claims that occurred on or before December 31, 2003. In our opinion, that amount makes reasonable provision for future payments for short-term disability, long-term disability, survivor benefits, health care, rehabilitation and claim administration costs on account of claims that occurred on or before that date; it does not include a provision for future claims arising from latent occupational disease or for benefits and payments that are on a self-insured basis.

In our opinion, the data on which the valuation is based is sufficient and reliable, the assumptions, in aggregate, are appropriate for the purposes of the valuation, and the methods employed are also appropriate. This report has been prepared and our opinion given in accordance with accepted actuarial practice.

Jill M. Wagman, F.S.A., F.C.I.A.

Richard Larouche, F.S.A., F.C.I.A.

Actuaries with the firm of Eckler Partners Ltd.
March 19, 2004

The Workers' Compensation Board - Alberta
Balance Sheet as at December 31, 2003

(thousands of dollars)

	2003	2002
ASSETS		
Cash	$ 164,672	$ 153,541
Receivables (Note 3)	91,443	59,972
Investments (Note 4)	4,088,360	3,807,164
Property, plant and equipment (Note 6)	58,440	64,127
	$ 4,402,915	$ 4,084,804
LIABILITIES		
Payables and accruals (Note 7)	$ 82,810	$ 72,813
Deferred revenue (Note 8)	51,903	103,698
Claim benefit liabilities (Note 9)	3,725,500	3,519,300
	3,860,213	3,695,811
RESERVES AND FUND BALANCE		
Occupational disease reserve	231,700	221,800
Fund balance	311,002	167,193
	$ 4,402,915	$ 4,084,804

Commitments (Note 19)

The accompanying notes and schedule are an integral part of these financial statements.

Approved by the Board of Directors:

David B. Carpenter, FCA
Chair, Board of Directors

Guy R. Kerr
President and Chief Executive Officer

The Workers' Compensation Board - Alberta
Statement of Operations
for the year ended December 31, 2003

(thousands of dollars)

	2003		2002
	Budget	Actual	Actual
REVENUE			
Premium	$ 811,500	$ 877,642	$ 680,360
Investment (Note 11)	200,000	214,972	197,539
Other (Note 12)	1,100	1,696	3,250
	1,012,600	1,094,310	881,149
EXPENDITURE			
Claim costs (Note 9)	887,300	860,091	862,584
Administration (Note 14)	63,100	59,333	60,687
Injury reduction (Note 17)	15,400	15,331	11,684
Appeals Commission (Note 18)	7,200	5,846	5,628
	973,000	940,601	940,583
OPERATING SURPLUS (DEFICIT)	$ 39,600	$ 153,709	$ (59,434)

The accompanying notes and schedule are an integral part of these financial statements.

The Workers' Compensation Board - Alberta
Statements of Reserve and Fund Balance
for the year ended December 31, 2003

(thousands of dollars)

	2003	2002
OCCUPATIONAL DISEASE RESERVE		
Balance at beginning of year	$ 221,800	$ 226,500
Transfer from (to) Fund Balance	9,900	(4,700)
BALANCE AT END OF YEAR	$ 231,700	$ 221,800
FUND BALANCE		
Balance at beginning of year	$ 167,193	$ 221,927
Operating Surplus (Deficit)	153,709	(59,434)
Transfers from (to) Reserve, net	(9,900)	4,700
BALANCE AT END OF YEAR	$ 311,002	$ 167,193

The accompanying notes and schedule are an integral part of these financial statements.

The Workers' Compensation Board - Alberta
Statement of Cash Flows
for the year ended December 31, 2003

(thousands of dollars)

	2003 Budget	2003 Actual	2002 Actual
CASH FLOW FROM (USED FOR) OPERATING ACTIVITIES			
Cash received from:			
Employers	$ 812,200	$ 853,223	$ 686,587
Dividends and interest	120,000	123,079	129,909
Other income	4,600	2,092	1,954
	936,800	978,394	818,450
Cash paid to:			
Claimants, or third parties on claimants' behalf	579,800	567,696	755,647
Employees and suppliers, for administrative and other goods and services	143,100	137,742	137,579
Injury reduction	15,400	14,505	10,110
	738,300	719,943	903,336
Net cash from (used for) operating activities	198,500	258,451	(84,886)
CASH FLOW FROM (USED FOR) INVESTING ACTIVITIES			
Cash received from:			
Sale and maturity of investments	500,000	108,181	476,827
Cash paid for:			
Purchase of investments	699,500	349,278	416,155
Purchase of property, plant and equipment, net	9,000	6,223	13,455
	708,500	355,501	429,610
Net cash provided from (used for) investing activities	(208,500)	(247,320)	47,217
NET INCREASE (DECREASE) IN CASH	(10,000)	11,131	(37,669)
Cash at beginning of year	80,000	153,541	191,210
CASH AT END OF YEAR	$ 70,000	$ 164,672	$ 153,541

The accompanying notes and schedule are an integral part of these financial statements.

The Workers' Compensation Board - Alberta
Notes to the Financial Statements
December 31, 2003

(thousands of dollars)

1. GENERAL

Legislative Authority

The Workers' Compensation Board (WCB) operates under the authority of the Workers' Compensation Act, Revised Statutes of Alberta 2000, Chapter W-15.

Vision and Mission

The Vision of the WCB is "Albertans working - a safe, healthy and strong Alberta."

The Mission of the WCB is "The WCB-Alberta, working together with our partners, will significantly and measurably reduce the impact of workplace illness and injury on Albertans."

Funding Policy

Consistent with Section 91 of the Workers' Compensation Act, the Board of Directors established a funding policy to ensure for the benefit of its stakeholders the WCB remains financially stable and secure into the future. An Occupational Disease Reserve was created to provide for the costs that may arise from latent occupational diseases where a causal link to the workplace has not yet been established but may be established in the future. The funding policy also stipulates a Fund Balance to recognize the degree of uncertainty in the business of workers' compensation.

Claim Benefit Liabilities

Claim benefit liabilities are prepared by the internal actuary and independently reviewed by an external actuary as at December 31, 2003, and represent the actuarial present value of all future benefit payments expected to be made for claims which have occurred in respect of current and prior years' injuries.

These benefits are expressed in constant dollars discounted at 4.00% per annum, being the difference between expected investment earnings and expected increases in benefit payments, except for non-wage related temporary disability payments which are discounted at 3.50%, and rehabilitation and claim administration costs which are discounted at 2.50%. Health care costs are ultimately discounted at 0.50% to reflect expected higher increases in health care costs and utilization. These net discount rates are based on underlying assumptions of 7.00% per annum investment earnings, 3.38% growth in the Consumer Price Index, 4.39% growth in rehabilitation and administration costs, and 6.47% growth in health care costs.

The claim benefit liabilities include provision for all benefits provided by current legislation, policies and administrative practices. No provision has been made for claims related to known latent occupational diseases where the claim has not yet been reported and the year of disablement would be in a subsequent period.

The actuarial liabilities of the WCB are of a long-term nature and therefore the actuarial assumptions and methods used to calculate the reported actuarial liabilities at December 31, 2003, are based on considerations of future expenditures over the long term. It is reasonably possible that changes in future conditions within one year of the financial statement date could require a change in the recognized amounts.

2. SIGNIFICANT ACCOUNTING POLICIES

General
These financial statements have been prepared in accordance with Canadian generally accepted accounting principles.

Premiums
In advance of each fiscal year, the WCB determines the total amount of premiums to be paid by employers and notifies the employers of their premium rates for the following year. Premiums are determined by applying the premium rates to the employers' payrolls.

Cash
Cash and cash equivalents are funds consisting of cash and money market instruments with maturities up to three years.

Cash and short-term investments held in the investment portfolio for trading purposes are excluded from cash and cash equivalents reported on the balance sheet.

Investments
Fixed-term investments are stated at amortized cost. Gains and losses realized on disposal of fixed-term investments are deferred and amortized to income on the straight-line basis over a period that approximates the average remaining term to maturity of the fixed-term investments sold. Equity and real estate investments are stated at moving average market value. Gains and losses realized on disposal of equity and real estate investments together with unrealized gains and losses occurring during the year, are deferred and amortized to income on the straight-line basis over five years.

Derivative Financial Instruments
Derivative financial instruments are financial contracts whose price is dependent on the price of one or more underlying securities, reference rates or indices. Derivative financial instruments include interest rate swaps, equity and bond index swaps, forward foreign exchange contracts, cross-currency interest rate swaps, equity index futures contracts, and credit default swaps. The notional amounts of derivative contracts are not recognized in the financial statements. The value of the derivative contracts is included in the fair value of the equity and fixed-term investments.

Interest rate swaps are agreements in which two parties exchange interest rates on a specified notional amount for a predetermined period. Interest income is recognized in the year.

Forward foreign exchange contracts are agreements to exchange two currencies at a specified future date based on a rate agreed to by both parties at the inception of the contract. Foreign exchange gains and losses related to investments transactions are deferred and amortized to income on the straight-line basis over five years.

Equity and bond index swaps are agreements to exchange cash flows based on the return of a specified equity or bond index. Equity index income is recognized as a realized gain or loss and is deferred and amortized to income on the straight-line basis over five years. Bond index income is recognized in the year.

Equity index futures contracts are agreements to receive or pay cash on an agreed settlement date based on changes in the level of a specified stock index in the future. Gains and losses from equity index futures contracts are deferred and amortized to income on the straight-line basis over five years.

Credit default swaps are agreements to buy and sell protection from credit risk in the secondary credit market. The agreements take the form of a premium paid, based on a notional amount, from one counterparty to a second counterparty in exchange for a contingent payment upon the occurrence of a credit event with respect to the underlying security. Income is recognized in the year.

Cross-currency interest rate swaps are agreements to exchange fixed for floating interest rates, or one fixed currency for another fixed currency interest rate, and exchange the foreign currency for Canadian currency. Income is recognized in the year.

Fair Value

The carrying value of cash, receivables and payables and accruals approximate their fair value due to the relatively short periods to maturity of the instruments. The fair value of publicly traded investments is based on quoted market prices. The fair value of privately held fixed-term investments is based on the net present value of future cash flows which are discounted using Government of Canada bond rates adjusted for a risk premium estimated by external fund managers. The fair value of real estate is based on independent appraisals net of any liabilities against the real properties.

The fair value of derivative financial instruments is based on the estimated amounts receivable or payable from the derivative financial instruments at the reporting date and is determined by the following methods:

a) Interest rate swaps and cross-currency swaps are valued based on discounted cash flows using current market yields.

b) Forward foreign exchange contracts and equity index futures contracts are valued based on quoted market prices.

c) Equity and bond index swaps are valued based on changes in the relevant market indices net of accrued floating rate interest.

d) Credit default swaps are valued based on discounted cash flows using current market yields and calculated default probabilities.

Foreign Currency Translation

Assets and liabilities denominated in foreign currency are translated into Canadian dollars at the exchange rate in effect at the balance sheet date. Foreign currency transactions are translated into Canadian dollars using the average rate of exchange. Foreign currency gains and losses related to investment transactions are deferred and amortized to income on the straight-line basis over five years.

Use of Accounting Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires the WCB's management to make estimates that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting periods presented. Actual results could differ from the estimates made by management and these differences could be significant. Claim benefit liabilities, reserve for occupational disease, partners in injury reduction accrual and accrued premiums are the most significant items which reflect estimates in these financial statements.

Property, Plant and Equipment

Property, plant and equipment are reported at cost and are amortized over their estimated useful lives. Amortization is provided using the following methods and annual rates:

Buildings	2.5% straight-line
Equipment - computer	35% declining balance
- furniture and other	15% declining balance
- vehicles	20% straight-line
Computer software	20% straight-line

3. RECEIVABLES (thousands of dollars)

	2003	2002
Premiums	$ 51,757	$ 37,124
Accrued Premiums	34,446	18,190
Other	5,240	4,658
	$ 91,443	$ 59,972

4. INVESTMENTS (thousands of dollars)

	2003		2002	
	Book Value	Fair Value	Book Value	Fair Value
Cash	$ 9,765	$ 9,568	$ 12,160	$ 12,217
Fixed-Term:				
Short-Term	35,318	35,439	36,490	37,590
Long-Term	1,523,396	1,631,265	1,431,687	1,526,270
	1,558,714	1,666,704	1,468,177	1,563,860
Real estate	128,907	135,593	126,223	129,820
Equities:				
Domestic	821,121	927,266	762,866	727,999
Foreign	1,569,853	1,542,707	1,437,738	1,216,364
	2,390,974	2,469,973	2,200,604	1,944,363
	$ 4,088,360	$ 4,281,838	$ 3,807,164	$ 3,650,260

5. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT ACTIVITIES (thousands of dollars)

Derivative Financial Instruments

	2003		2002	
	Notional Principal	Fair Value	Notional Principal	Fair Value
Interest rate swaps	$ 106,287	$ (4,287)	$ 67,002	$ (3,119)
Forward foreign exchange contracts	37,750	(211)	65,159	6
Equity index swaps	192,056	6,531	129,426	1,712
Bond index swaps	21,501	30	23,226	201
Equity index futures contracts	6,433	436	-	-
Credit default swaps	4,501	(55)	-	-
Cross-currency interest rate swaps	93,584	(7,932)	90,085	(26,305)
	$ 462,112	$ (5,488)	$ 374,898	$ (27,505)

	Remaining Term to Maturity					
Notional Principal	Within 1 Year	Over 1 To 3 Years	Over 3 To 5 Years	Over 5 Years	Total 2003	Total 2002
Interest rate swaps	$ 42,838	$ 60,272	$ 3,177	$ 0	$ 106,287	$ 67,002
Forward foreign exchange contracts	37,750	-	-	-	37,750	65,159
Equity index swaps	130,646	61,410	-	-	192,056	129,426
Bond index swaps	21,501	-	-	-	21,501	23,226
Equity index futures contracts	6,433	-	-	-	6,433	-
Credit default swaps	-	4,501	-	-	4,501	-
Cross-currency interest rate swaps	389	28,147	19,556	45,492	93,584	90,085
	$ 239,557	$ 154,330	$ 22,733	$ 45,492	$ 462,112	$ 374,898

Notional principal amounts in swaps and foreign exchange contracts are the contractual amounts on which payments are made. They are not indicative of the credit exposure with derivative products. If the counterparty to the derivative fails to discharge their obligation, then the fair value is the credit exposure of the WCB.

Credit Risk Management
Credit exposure on financial instruments arises from the possibility that a counterparty to an instrument fails to perform. Counterparties for derivative contracts will have at least an AA credit rating. The issuer for fixed-term investments will have at least a BBB credit rating. Specific rules have been established to ensure the credit rating of a counterparty does not fall below a threshold deemed acceptable by the WCB. The WCB does not anticipate that any counterparties will fail to meet their obligations.

Market Risk
The WCB invests in publicly and privately traded shares and bonds available on domestic and foreign exchanges. These shares and bonds are affected by market changes and fluctuations. The WCB does not use derivative financial instruments to alter the effects of these market changes and fluctuations.

Securities Lending
The WCB may lend any of its investments to third parties provided the loans are secured by cash or readily marketable securities having a minimum fair value of 102% of the loan. As of December 31, 2003, secured loans amounted to $483,880 ($163,635 in 2002).

Foreign Exchange Risk Management
The WCB has certain obligations and investments denominated in foreign currencies. The WCB does not undertake long-term hedging strategies for the currency risk of foreign investments. The WCB undertakes long-term investment strategies; however, currency fluctuations may affect short-term returns. These fluctuations are not expected to affect the long-term position of the investment portfolio. As of December 31, 2003, forward foreign exchange contracts amounted to $37,750 ($65,159 in 2002).

Interest Risk Management
Fluctuations in interest rates are managed by actively managing the duration of the fixed-term portfolio. The WCB also enters into various types of interest rate contracts in managing interest rate risk. The table below represents the remaining term to maturity of the WCB's outstanding fixed-term investments.

	Remaining Term to Maturity				
Fair Value	Within 1 Year	Over 1 Year To 5 Years	Over 5 Years	Total 2003	Total 2002
Fixed-Term Investments	$ 35,439	$ 556,511	$1,074,754	$1,666,704	$1,563,860

The fixed-term investments include bonds, debentures, and other interest bearing instruments. The average effective yield of these fixed-term investments, excluding the investment in real return bonds, is 4.59% (4.95% in 2002) per annum based on fair value.

6. PROPERTY, PLANT AND EQUIPMENT (thousands of dollars)

	2003			2002
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	$ 1,092	$ 0	$ 1,092	$ 1,092
Buildings	37,663	(12,115)	25,548	26,403
Equipment	7,833	(6,587)	1,246	2,156
Computer software	92,078	(61,524)	30,554	34,476
	$ 138,666	$ (80,226)	$ 58,440	$ 64,127

The net carrying amount of property, plant and equipment not being amortized, because it is under construction or development, is $10,934 ($9,596 in 2002)

7. PAYABLES AND ACCRUALS (thousands of dollars)

	2003	2002
Partners In Injury Reduction	$ 47,311	$ 40,842
Accrued staff benefits	20,222	17,626
Other	15,277	14,345
	$ 82,810	$ 72,813

8. DEFERRED REVENUE (thousands of dollars)

	Deferred Realized Gains (Losses)			
	2003			2002
	Fixed-Term	Equities	Total	Total
2003	$ 0	$ 0	$ 0	$ 50,624
2004	21,069	(18,296)	2,773	9,310
2005	20,158	(26,447)	(6,289)	(713)
2006	17,057	(11,345)	5,712	9,558
2007	14,243	(3,643)	10,600	11,171
2008 - 2012	39,107	-	39,107	23,748
	$ 111,634	$ (59,731)	$ 51,903	$ 103,698

9. CLAIM BENEFIT LIABILITIES (thousands of dollars)

	2003							2002
	Short-Term Disability	Long-Term Disability	Survivor Benefits	Health Care	Rehab-ilitation	Claim Admin-istration	Total	Total
BALANCE, BEGINNING OF YEAR	$ 482,100	$ 1,567,000	$ 431,200	$ 751,800	$ 132,200	$ 155,000	$ 3,519,300	$ 3,492,700
Add:								
Claim costs incurred:								
Current year injuries	192,011	135,462	16,357	196,128	35,187	64,468	639,613	612,732
Prior years' injuries	11,217	100,910	49,481	51,595	583	6,692	220,478	249,852
	203,228	236,372	65,838	247,723	35,770	71,160	860,091	862,584
	685,328	1,803,372	497,038	999,523	167,970	226,160	4,379,391	4,355,284
Deduct:								
Claim payments made:								
Current year injuries	74,611	1,262	657	72,528	1,987	15,768	166,813	156,105
Prior years' injuries	114,317	125,310	50,081	115,495	33,283	48,592	487,078	679,879
	188,928	126,572	50,738	188,023	35,270	64,360	653,891	835,984
BALANCE, END OF YEAR	$ 496,400	$ 1,676,800	$ 446,300	$ 811,500	$ 132,700	$ 161,800	$ 3,725,500	$ 3,519,300

The following is a reconciliation of the claim benefit liabilities:

	2003	2002
Balance at beginning of year	$ 3,519,300	$ 3,492,700
Add:		
Provision for current year injuries	472,800	456,627
Interest allocated	229,200	227,500
Difference between actual and expected long-term cost of living adjustments and inflation	35,800	(30,100)
Revision to actuarial methods and assumptions	10,900	10,200
	4,268,000	4,156,927
Deduct:		
Payments, for prior years' injuries, excluding self-insured employers	480,523	669,512
Claim cost experience lower (higher) than expected	36,177	(80,185)
Policy change re: annual Economic Loss Payment Reviews	25,800	-
Procedure change re: pension commutation	-	48,300
	542,500	637,627
Balance at end of year	$ 3,725,500	$ 3,519,300

10. PROVINCIAL PENSION PLANS (thousands of dollars)

The WCB participates in multi-employer pension plans: Management Employees Pension Plan and Public Service Pension Plan. The expense for these pension plans is equivalent to the annual contributions of $3,775 for the year ended December 31, 2003 ($4,061 in 2002).

11. INVESTMENT REVENUE (thousands of dollars)

	2003	2002
Dividends and interest		
Fixed-term	$ 89,179	$ 100,792
Equity	27,284	23,190
Real estate	7,325	6,844
	123,788	130,826
Add:		
Amortized realized gains - equities	23,046	77,124
Amortized realized gains - fixed-term	21,043	20,456
Amortized unrealized gains/(losses) - equities	47,804	(29,950)
	91,893	67,630
	215,681	198,456
Deduct:		
Investment related administration expenditures	709	917
	$ 214,972	$ 197,539

12. OTHER REVENUE (thousands of dollars)

	2003	2002
Millard Health Building/Land Disposal	$ 0	$ 2,852
Other	452	334
Millard Health (Note 13)	1,244	64
	$ 1,696	$ 3,250

13. MILLARD HEALTH (thousands of dollars)

	2003	2002
Revenue		
Charged to health care claim costs	$ 21,835	$ 19,316
Non-WCB treatment services	1,640	1,620
	23,475	20,936
Expenditures		
Salaries and employee benefits	15,521	14,991
Office and communications	2,375	2,485
Consulting fees	1,675	1,468
Building operations	1,509	1,046
Amortization of property, plant and equipment	983	560
Travel and vehicle operation	168	322
	22,231	20,872
Operating Surplus	$ 1,244	$ 64

14. ADMINISTRATION EXPENDITURES (thousands of dollars)

	Customer Services	Corporate Services	2003	2002
Salaries and employee benefits (Schedule A)	$ 68,421	$ 18,454	$ 86,875	$ 82,358
Office and communications	21,139	374	21,513	21,280
Amortization of property, plant and equipment	8,859	2,046	10,905	12,126
Building operations	2,584	2,058	4,642	4,474
Consulting fees	756	1,517	2,273	3,280
Travel and vehicle operation	628	281	909	1,121
Other	30	225	255	143
	$ 102,417	$ 24,955	127,372	124,782
Deduct:				
Claim administration costs			64,360	61,021
Charged to investment revenue			709	917
Recovery of costs			2,970	2,157
			$ 59,333	$ 60,687

Customer Services relates to all activities associated with Risk and Disability Management. Corporate Services relates to all activities associated with Human Resources, Legal Services, Finance, Corporate Communications, and Administrative Services.

15. SELF-INSURED EMPLOYERS (thousands of dollars)

These financial statements include the effects of transactions carried out for self-insured employers who directly bear the cost of their workers' claims and an appropriate share of administration expenditures. Currently, the Federal Government is the only self-insurer. This is a contractual relationship in accordance with the Government Employees Compensation Act. Certain government related entities and railways are responsible for the cost of injuries to their workers which occurred when they were self-insured in prior years. Premiums also include amounts billed to self-insured employers. Aggregate amounts of such premiums and offsetting expenditures are contained in the Statement of Operations as follows:

	2003	2002
Premium revenue	$ 7,889	$ 11,384
Claim costs incurred:		
Short-term disability	$ 1,319	$ 1,797
Long-term disability	1,529	5,213
Survivor benefits	753	741
Health care	2,778	2,247
Rehabilitation	119	161
	6,498	10,159
Administration expenditures	1,391	1,225
	$ 7,889	$ 11,384

16. RELATED PARTY TRANSACTIONS (thousands of dollars)

Included in these financial statements are transactions with various Alberta Crown corporations, departments, agencies, boards and commissions related to the Board by virtue of common influence by the Government of Alberta.

Routine operating transactions with related parties are settled at prevailing market prices under normal trade terms.

The amounts outstanding at year-end and transactions earned throughout the year are as follows:

	2003	2002
Receivables	$ 1,693	$ 1,352
Payables and accruals	3,977	3,393
Premiums	8,490	6,492

Other related party transactions are disclosed separately in the notes.

17. INJURY REDUCTION (thousands of dollars)

	2003	2002
Occupational Health & Safety	$ 9,600	$ 6,300
Safety Associations	5,731	5,384
	$ 15,331	$ 11,684

The WCB has a statutory obligation to reimburse the Alberta Minister of Finance a portion of the costs associated with occupational health and safety.

Funding is provided to industry sponsored safety associations for the purpose of improving the workplace.

18. APPEALS COMMISSION (thousands of dollars)

The Appeals Commission operates and is administered by the Ministry of Alberta Human Resources and Employment. In accordance with Section 12 of the Workers' Compensation Act, the operating costs of the Appeals Commission are funded by the WCB from the Accident Fund.

19. COMMITMENTS (thousands of dollars)

A number of operating leases exist for computer equipment and office space. The following is a schedule of future lease payments to be charged to administration expenditures:

2004	$ 7,744
2005	5,691
2006	4,907
2007	664
Beyond	4,240
	$ 23,246

20. CONTINGENT LIABILITIES

The WCB is party to various claims and lawsuits that are being contested. In the opinion of management, the outcome of such claims and lawsuits will not have a material effect on the WCB's expenses or financial position.

21. LONG-TERM DISABILITY INCOME CONTINUANCE PLAN (thousands of dollars)

The WCB administers a long-term disability income continuance plan for its employees. The obligations of the plan are covered by the WCB accident fund. WCB employees are not required to contribute to this plan.

At December 31, 2003, the actuarial valuation completed reported an accrued benefit obligation of $14,157 ($11,751 in 2002). The accrued benefit liability of the plan is $12,628 ($11,751 in 2002) and is included as part of payables and accruals on the balance sheet.

The expense for the period was $2,332 ($3,856 in 2002). The amount of benefits paid and the contributions by WCB to the plan for the period was $1,455 ($1,113 in 2002). The discount rate used in determining the benefit obligation was 5% (7.5% in 2002). The assumed rate of salary escalation for participants in the plan was 3% (3% in 2002).

22. LONG STANDING CONTENTIOUS CLAIMS

The Workers' Compensation Act was revised effective June 1, 2003, to include Section 157.1 Long Standing Contentious Matters, allowing the Lieutenant Governor in Council to make regulations. No regulation has been made in relation to long standing contentious claims and these financial statements do not contain any provision for liabilities in respect to any resulting costs arising from this, as the amounts are not presently determinable.

23. BUDGET

The Board of Directors approved the budget in October 2002. The budget is presented for comparison with the 2003 actual figures.

24. COMPARATIVE FIGURES

The 2002 figures are reclassified where necessary to conform to 2003 presentation.

The Workers' Compensation Board - Alberta
Salaries and Benefits
December 31, 2003

Schedule A

	2003					2002	
	Number of Individuals	(1) Salary	(2) (3) Benefits	Other	Total	Number of Individuals	Total
Chairman, Board of Directors (4)	1	$ 54,718	$ 1,802	$ 0	$ 56,520	1	$ 67,165
Board Members (4)	9	127,458	5,143	-	132,601	9	171,522
	10	182,176	6,945	-	189,121	10	238,687
President and Chief Executive Officer	1	270,000	37,284	-	307,284	1	375,774
Vice President, Customer Service & Disability Management	1	187,500	27,507	-	215,007	1	196,415
Vice President, Customer Service & Risk Management	1	187,500	28,656	-	216,156	1	209,965
Vice President, Business Development & I.M.	1	187,266	31,080	-	218,346	1	208,825
Vice President, Employee & Corporate Services	1	172,813	28,407	-	201,220	1	196,922
Chief Financial Officer	1	205,833 (5)	54,018	-	259,851	1	208,293
Secretary & General Counsel	1	178,234	30,662	-	208,896	1	205,159
	7	1,389,146	237,614	-	1,626,760	7	1,551,353
Full-Time Staff: ($59,152 in 2003; $54,329 in 2002)	1,589	81,366,390	12,625,466	-	93,991,856	1,617	87,850,267
Termination Benefits	-	-	-	2,419,554 (6)	2,419,554	-	1,890,569
Long-Term Disability	-	-	-	2,332,369 (7)	2,332,369	-	3,856,070
Other Staff Related Expenses	-	-	-	1,837,237 (8)	1,837,237	-	1,961,943
Less: Salaries & Benefits for Millard Health		(13,187,882)	(2,333,338)	-	(15,521,220)		(14,991,199)
Administration - Salaries & Benefits		$ 69,749,830	$ 10,536,687	$ 6,589,160	$ 86,875,677		$ 82,357,690

(1) Salary includes regular base pay, special incentive pay, overtime, performance awards, vacation pay, honoraria and contractor's fees.

(2) Employer's share of employee benefits and contributions or payments made to or on behalf of employees. It is comprised of Canada Pension Plan, Employment Insurance, Public Service and Management pension plans contributions, medical benefits, group life insurance, disability plans, employee and family assistance plan, professional memberships and tuition, long service and vacation payout.

(3) No amount is included in benefits and allowances for: car allowances, car insurance, or the value of parking and interest-free loans.

(4) The Chairman of the Board of Directors and Board Members are part-time positions.

(5) The past Chief Financial Officer retired effective September 30, 2003. The current Chief Financial Officer was appointed September 1, 2003.

(6) Termination benefits include retiring allowances, accrued sick leave and other settlement costs due to loss of employment.

(7) The adjustment to the liability for long-term disability claims reflects changes to the actuarial present value of all future payments expected to be made for claims which have occurred in current and prior years.

(8) Other staff related expenses include recruitment costs, seminars, conventions and conferences, staff and association luncheons and meetings, in-house training programs, retirees' benefits and relocation costs.

2003 year at a glance

	2003	2002
Number of workers covered	**1,401,768**	1,347,000
Time-lost claim rate (per 100 workers)[1]	**2.8**	3.0
Number of new claims reported	**153,098**	154,474
Number of time-lost claims[1]	**39,100**	40,100
Number of recurrent claims[2]	**43,960**	33,388
New non-economic loss and permanent disability awards	**3,346**	3,337
Fatality claims accepted	**127**	101
Ineligible time-lost claims	**3.5%**	2.8%
Number of new requests for review to the Decision Review Body	**3,864**	3,666
Return to work percentage	**86.8%**	87.4%
Claim costs (thousands)	**$860,091**	$862,584
Registered employers	**106,255**	104,267
Premium revenue (thousands)	**$877,642**	$680,360
Average collected premium rate (per $100 of insurable earnings)	**$1.94**	$1.64
Investment revenue (thousands)	**$214,972**	$197,539
Fund balance (thousands)	**$311,002**	$167,193
Funding level (percent funded)[3]	**108.1%**	104.5%
Occupational disease reserve (thousands)	**$231,700**	$221,800

[1] Time-lost claims and the time-lost claim rate are projected. This approach is taken to ensure claims for accidents occurring in 2003, but not reported by year end, are considered.

[2] Previously inactive claims reopened for a number of reasons including payments for medical aid or requests for further compensation benefits.

[3] Actuarial experts and board policy require our fund balance to be at 116 per cent.

For more information
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